

DIRECTORS' REPORT

On behalf of the Board of Directors, it is my great pleasure to present the un-audited accounts of the Modaraba for the 1st quarter ended 30th September, 2013.

Business activities of first quarter of current year remain satisfactory in comparison of same quarter of corresponding period of last year. Total disbursement of Ijarah financing of Rs.341.0 million and Diminishing Musharkah of Rs.148.0 were disbursed. Profits of Rs.77.0 million were made as compared to Rs.71.0 million of same quarter of last year. As a diversification we are gradually enhancing our financing in Diminishing Musharkah and it is around 30% of total financing of first quarter.

In beginning quarter of the year, the overall economic activities remain slightly dull due to the impact of new taxes in budget of 2013-14 and formation of new government after general election. The new government has managed to get financial assistance package as Extended Financial Facility for 3 years from International Monetary Fund (IMF). Under the package, first installment has been released and remainder will be disbursed subject to completion of quarterly review. This was a major breakthrough of the new government in order to tackle the country's severe financial crisis due to low foreign exchange reserve. The IMF while approving facility demanded strict austerity measures and advise to undertake comprehensive structural reforms to boost investment and growth.

Recently State Bank of Pakistan (SBP) in its Monetary Policy Statement (MPS) raised policy rate by 50 basis points to 9.5 percent. In MPS statement, the SBP has indicated substantial increase in inflation in current fiscal year. According to SBP the increase in budgetary borrowings from the banking system during FY13 was almost higher than the original target and was even higher than the total expansion in M2. Deviation of this scale has significantly constrained effective monetary management and led to sharp increase in domestic debt. The business community expressed dissatisfaction on the decision of SBP for rise in discount rate. According to them deteriorating law and order situation, energy crises and exorbitant increase in the POL prices has already slowed the pace of industrial and commercial activities as well as the economy while the high discount rates has also increase in the cost of doing business.

In last fiscal year, we had noticed positive move i.e. decline in inflation and improvement of current account (C/A) deficit. However, with start of current fiscal year the movements of above indicator are not encouraging. The inflation is again on rising trend and as per recent report of SBP the country's C/A deficit was high during July-September, 2013 in sharp contrast to a surplus of in the corresponding period last year. The main reason for this large deficit was the trade deficit which has been growing since the beginning of the new fiscal year.

The new government has various challenges on economic front. However, recent steps of new leadership such as addressing of energy crisis to some extent and decision of privatization Public Sector Units are positive move to support the economy to bring on right track.

Keeping in view of our 1st quarter's business volume and profitability we optimistic for future and expect that in coming quarters we will maintain pace of business and will Insha'Allah achieve our targeted results.

I am extremely grateful to our valued customers, Registrar Modaraba, Securities & Exchange Commission of Pakistan for their patronage, to our employees for their continued commitment, our certificate holder for their trust and confidence and other regulatory bodies for their continued guidance.

For and on behalf of Board of Directors

Muhammad Shoaib Ibrahim
Chief Executive Officer

Karachi: October 28, 2013

FIRST HABIB MODARABA

CONDENSED INTERIM BALANCE SHEET

AS AT September 30, 2013

| ASSETS | September 30, 2013 Rupees Unaudited | June 30, 2013 Rupees Audited |
|--|--|---------------------------------------|
| NON-CURRENT ASSETS | | |
| Fixed assets - tangible | | |
| Ijarah (lease) assets | 2,940,681,163 | 2,941,637,969 |
| Assets in own use | 12,491,574 | 13,427,992 |
| | 2,953,172,737 | 2,955,065,960 |
| Intangible assets | 1,243,761 | 1,409,165 |
| Long-term deposits prepayments and advances | 2,784,450 | 2,492,650 |
| Diminishing musharaka financing | 280,532,655 | 355,467,154 |
| | 3,237,733,603 | 3,314,434,929 |
| CURRENT ASSETS | | |
| Investments | 1,018,907,351 | 997,145,487 |
| Diminishing musharaka financing - current portion | 340,510,738 | 191,350,842 |
| Ijarah (lease) installments receivable - Secured-considered good | 5,692,419 | 3,520,410 |
| Advances and short term prepayments | 9,496,890 | 11,318,384 |
| Other receivables | 49,294,209 | 32,973,716 |
| Tax refund due from Government | 37,903,024 | 37,903,024 |
| Cash and bank balances | 7,434,838 | 130,639,915 |
| | 1,469,239,469 | 1,404,851,777 |
| TOTAL ASSETS | 4,706,973,073 | 4,719,286,707 |
| EQUITY AND LIABILITIES | | |
| CAPITAL AND RESERVES | | |
| Certificate capital : | | |
| Authorized : | | |
| 220,000,000 (2013: 220,000,000) certificates of Rs.5 each | 1,100,000,000 | 1,100,000,000 |
| Issued, subscribed and paid-up | 1,008,000,000 | 1,008,000,000 |
| Reserves | 1,934,865,587 | 2,044,859,984 |
| Certificate holders' equity | 2,942,865,587 | 3,052,859,984 |
| NON-CURRENT LIABILITIES | | |
| Security deposits against Ijarah assets | 272,040,321 | 264,938,447 |
| CURRENT LIABILITIES | | |
| Certificate of musharaka | 1,177,239,360 | 1,007,807,729 |
| Security deposits - current portion | 61,151,812 | 54,685,080 |
| Unearned Ijarah (lease) rentals and diminishing musharaka installments | 30,805,055 | 27,255,215 |
| Advance Ijarah (lease) rentals and diminishing musharaka installments | 23,502,904 | 19,804,076 |
| Trade and other payables | 146,419,107 | 249,034,004 |
| Profit payable on certificate of musharaka | 24,230,900 | 18,602,889 |
| Taxation | 2,790,833 | 2,790,833 |
| Unclaimed profit distribution | 21,451,201 | 21,508,450 |
| Profit distribution payable | 4,475,993 | - |
| | 1,492,067,165 | 1,401,488,276 |
| TOTAL EQUITY AND LIABILITIES | 4,706,973,073 | 4,719,286,707 |

The annexed notes form an integral part of these financial statements.

For Habib Modaraba Management (Private) Limited
(Modaraba Management Company)

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED SEPTEMBER 30, 2013

(UNAUDITED)

| | September 30, 2013 Rupees | September 30, 2012 Rupees |
|--|---------------------------------|---------------------------------|
| Income from Ijarah (leasing) | 84,993,748 | 89,937,928 |
| Profit on diminishing musharaka financing | <u>15,772,547</u> | <u>13,216,967</u> |
| | 100,766,295 | 103,154,895 |
| Administrative expenses | <u>23,626,325</u> | <u>19,957,836</u> |
| | 77,139,970 | 83,197,059 |
| Other income | <u>26,257,118</u> | <u>19,548,717</u> |
| | 103,397,088 | 102,745,776 |
| Financial expenses | <u>23,585,162</u> | <u>30,571,928</u> |
| | 79,811,926 | 72,173,848 |
| Modaraba Management Company's remuneration | <u>-</u> | <u>-</u> |
| | 79,811,926 | 72,173,848 |
| WWF & other charges | 2,824,780 | 1,443,477 |
| Profit for the period | <u><u>76,987,146</u></u> | <u><u>70,730,371</u></u> |
| Earnings per certificate - basic and diluted | <u><u>0.38</u></u> | <u><u>0.35</u></u> |

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For Habib Modaraba Management (Private) Limited
(Modaraba Management Company)

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA
CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2013
(UNAUDITED)

| | September 30, 2013 Rupees | September 30, 2012 Rupees |
|--|---------------------------------|---------------------------------|
| Profit for the period | 76,987,146 | 70,730,371 |
| Other comprehensive income: | | |
| Net unrealised (loss)/gain on available for sale investments | 14,618,457 | 8,254,007 |
| Comprehensive income / (loss) transferred to equity | <u>91,605,603</u> | <u>78,984,378</u> |

The annexed notes form an integral part of these financial statements.

For Habib Modaraba Management (Private) Limited
(Modaraba Management Company)

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE PERIOD ENDED SEPTEMBER 30, 2013

(UNAUDITED)

| | Note | September 30, 2013 Rupees | September 30, 2012 Rupees |
|---|------|---------------------------------|---------------------------------|
| Cash flow from operating activities | | | |
| Cash generated from operations | 4 | 274,802,067 | 355,412,616 |
| Purchase of ijarah (lease) assets | | (341,973,893) | (511,985,979) |
| Diminishing musharaka financing | | (74,225,397) | (13,583,330) |
| Proceeds from transfer of ijarah (lease) assets | | 58,153,220 | 57,194,294 |
| Security deposits against ijarah (lease) assets : | | | |
| Received | | 30,020,284 | 32,311,066 |
| Refunded / adjusted | | (16,451,678) | (16,817,239) |
| Net security deposits | | 13,568,606 | 15,493,827 |
| Financial charges paid | | (17,957,151) | (22,028,189) |
| Tax deducted at source | | (10,497) | (39,251) |
| Net cash inflow from operating activities | | (87,643,046) | (119,536,012) |
| Cash flow from investing activities | | | |
| Purchase of assets owned (including intangibles) | | (397,700) | (2,015,010) |
| Proceeds from disposal of own assets | | - | 8,000 |
| Purchase of investments-available for sale | | (7,143,406) | (5,519,652) |
| Redemption of sukuk / HIC | | - | 20,000,000 |
| Dividend received | | 20,500 | 13,000 |
| Long-term advances and deposit | | (291,800) | (950,200) |
| Net cash inflow/ (outflow) from investing activities | | (7,812,406) | 11,536,138 |
| Cash flow from financing activities | | | |
| Dividend paid | | (197,181,256) | (191,789,299) |
| Certificates of musharika | | 169,431,631 | 180,151,575 |
| Net cash outflow from financing activities | | (27,749,625) | (11,637,724) |
| Net (decrease) in cash and cash equivalents | | (123,205,077) | (119,637,598) |
| Cash and cash equivalents at the beginning of the year | | 130,639,915 | 122,394,087 |
| Cash and cash equivalents at the end of the period | | 7,434,838 | 2,756,489 |

The annexed notes form an integral part of these financial statements.

For Habib Modaraba Management (Private) Limited
(Modaraba Management Company)

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA

CONDENSED INTERIM

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED SEPTEMBER 30, 2013

(UNAUDITED)

| | Paid-up capital | Certificate Premium | Statutory reserve | General reserve | Unrealized gain (loss) on investments | Unappropriated profit | Total Reserves | Total Equity |
|--|----------------------|------------------------|----------------------|--------------------|---|--------------------------|----------------------|----------------------|
| | | | | | Rupees | | | |
| Balance as at July 01, 2012 | 1,008,000,000 | 378,000,000 | 578,891,321 | 50,000,000 | 901,105,975 | 210,496,010 | 2,118,493,306 | 3,126,493,306 |
| Profit distribution for the year ended June 30, 2012 @ 20% | - | - | - | - | - | (201,600,000) | (201,600,000) | (201,600,000) |
| Comprehensive income for the period | - | - | - | - | 8,254,007 | 70,730,371 | 78,984,378 | 78,984,378 |
| Balance as at September 30, 2012 | <u>1,008,000,000</u> | <u>378,000,000</u> | <u>578,891,321</u> | <u>50,000,000</u> | <u>909,359,982</u> | <u>79,626,381</u> | <u>1,995,877,684</u> | <u>3,003,877,684</u> |
| Balance as at July 01, 2013 | 1,008,000,000 | 378,000,000 | 777,369,238 | 50,000,000 | 36,683,068 | 802,807,678 | 2,044,859,984 | 3,052,859,984 |
| Profit distribution for the year ended June 30, 2013 @ 20% | - | - | - | - | - | (201,600,000) | (201,600,000) | (201,600,000) |
| Transferred to General Reserves | - | - | - | 590,000,000 | - | (590,000,000) | - | - |
| Comprehensive income for the period | - | - | - | - | 14,618,457 | 76,987,146 | 91,605,603 | 91,605,603 |
| Balance as at September 30, 2013 | <u>1,008,000,000</u> | <u>378,000,000</u> | <u>777,369,238</u> | <u>640,000,000</u> | <u>51,301,525</u> | <u>88,194,824</u> | <u>1,934,865,587</u> | <u>2,942,865,587</u> |

The annexed notes form an integral part of these financial statements.

For Habib Modaraba Management (Private) Limited
(Modaraba Management Company)

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA

CONDENSED INTERIM NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2013

(UNAUDITED)

1. THE COMPANY AND ITS OPERATIONS

First Habib Modaraba is a perpetual, multipurpose modaraba floated and managed by Habib Modaraba Management (Pvt) Limited, having its registered office at 5th Floor, HBZ Plaza (Hirani Centre), I.I. Chundrigar Road, Karachi. It is listed on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The modaraba is authorised to engage in the business of ijarah, musharika, morabaha financing and other related business.

2. BASIS OF PREPARATION

These financial statements are unaudited and are being submitted to certificate holders in accordance with the instructions issued by Securities & Exchange Commission of Pakistan. These accounts have been prepared in accordance with the requirement of the International Accounting Standards 34 "Interim Financial Reporting" as applicable in Pakistan.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are same as those applied in the preparing the financial statements for the year ended June 30, 2013.

4. CASH GENERATED FROM OPERATIONS

| | Note | September 30, 2013 Rupees | September 30, 2012 Rupees |
|---|------|---------------------------------|---------------------------------|
| Profit for the period | | 76,987,146 | 70,730,371 |
| Adjustment for: | | | |
| Profit on transfer of assets- | | | |
| Ijarah (lease) | | (2,788,988) | (4,590,180) |
| owned | | - | (7,999) |
| Depreciation - ijarah (lease) assets | | 287,566,465 | 273,978,440 |
| - assets in own use | | 1,290,640 | 773,902 |
| Amortization of intangible assets | | 204,404 | 201,098 |
| Provision for gratuity | | 450,000 | 375,000 |
| Loss on sale of own assets | | 4,478 | - |
| Dividend income | | (20,500) | (13,000) |
| Profit on: | | | |
| Certificates of musharika | | 23,585,162 | 30,571,928 |
| Movement in working capital | 4.1 | (112,476,740) | (16,606,944) |
| | | <u>274,802,067</u> | <u>355,412,616</u> |
| 4.1 Movement in working capital: | | | |
| (Increase)/decrease in current assets: | | | |
| Advances, deposits and short term prepayments | | 1,821,494 | 3,045,101 |
| Other receivables | | (16,320,493) | (9,457,889) |
| Tax refund due from Government | | 10,497 | - |
| Ijarah (lease) rentals receivable | | (2,172,009) | (1,604,745) |
| (Decrease)/increase in current liabilities: | | | |
| Advance ijarah (lease) and diminishing musharaka rentals received | | 3,698,828 | 2,446,590 |
| Unearned ijarah (lease) and diminishing musharaka rentals | | 3,549,840 | 7,566,840 |
| Trade and other payables | | (103,064,897) | (18,602,841) |
| | | <u>(112,476,740)</u> | <u>(16,606,944)</u> |

For Habib Modaraba Management (Private) Limited
(Modaraba Management Company)

sd/-
Chief Executive

sd/-
Director

sd/-
Director

